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THE EUROPEAN UNION AND ITS NEIGHBOURS: “EVERYTHING BUT INSTITUTIONS”?¹

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ABSTRACT

The paper considers the status of the European Neighbourhood Policy in the light of the new Financial Perspective 2007-2013. Even if in theory the ENP could have been a valid substitute for enlargement, it does not seem to have reached its aim of providing the perspective of a real substitute for full membership. Considering the figures of the new Financial Perspective 2007-2013, the issue of market access, and the internal power dynamics of the EU, we see that it is hardly conceivable that the ENP could ever give to its neighbours the same economic advantages that membership gives to the poorer members of the EU. The consideration of some related basic issues of EU institutional reform concludes the paper.

¹ Thanks are due to Susan Senior Nello, Annalisa Meloni, Marcello Di Filippo for useful suggestions. Some of the arguments of the present paper were originally contained in a short report presented to a conference on *The Challenges of European Neighbourhood Policy*. Rome, Ministry of Foreign Affairs, 26-27 November 2004 (Alberto Chilosì, “The European Neighbourhood Policy: A Substitute for Eu Membership or A Consolation Prize?” Documenti IAI IAI0419).

1. PRODI'S PROMISE

1.1 Introduction.

Facing the greatest enlargement of its history (in terms of countries, territory, and population), and a possibly long interruption of the enlargement process, the EU has devised the European Neighbourhood Policy (from now on ENP) in order to furnish to its further neighbours, left outside of immediate, or any, prospects of enlargement, some compensation, and a kind of comprehensive framework for their relations with the EU.² Launching the idea of ENP in 2002 President Prodi made the famous promise: “everything but institutions.”³ The promise refers to the possibility for neighbours to have the same treatment and economic advantages of EU membership, except the participation in EU institutions, through a process of gradual homologation to EU's membership requirements. Has Prodi's promise been fulfilled, or is it going to be fulfilled? We believe it has not, nor is it likely to be. Considering the figures of the new Financial Perspective 2007-2013, the issue of market access, and the internal power dynamics of the EU, we see that it is hardly conceivable that the ENP could ever give to its neighbours the same economic advantages that membership gives to the poorer members of the EU.

1.2 Economic Advantages for Neighbours of “Everything but Institutions”.

Let us consider now what are the advantages of membership and how could non-members share them. Considering the economic aspects only, the main advantages are three: The first refers to the creation of public goods, such as standards and norms, that can benefit economic activity, notably trade (not only with the EU), through predictability and uniformity. This can benefit non-members provided they accept those standards and norms,⁴ but does not require in

² For a recent general survey of ENP and of its economic implications see the recent article by Michaela Dodini and Marco Fantini, “The EU Neighbourhood Policy: Implications for Economic Growth and Stability,” *Journal of Common Market Studies*, 2006 Volume 44. Number 3. pp. 507–32.

(Downloadable from <http://ideas.repec.org/a/bla/jcmkts/v44y2006ip507-532.html>.)

³ Cf. Romano Prodi, “A Wider Europe - A Proximity Policy as the Key to Stability.” Sixth ECSA-World Conference. Jean Monnet Project, Brussels, 5-6 December 2002, [SPEECH/02/619](#).

⁴ Moreover there are some good reasons for a neighbouring country to acquire at least those parts of the *acquis* concerning standards and regulations (chapter 1), which are instrumental in having her wares accepted without fuss in the EU markets, as well as those favouring

principle an especially devised Neighbourhood Policy (not any more than the lack of participation in the European Monetary Union may hinder countries outside the EU from adopting the euro as a legal tender).⁵ The EU does not hold a copyright on its legislation and can only be happy if anybody else decides to mirror it.⁶ However, neighbours cannot take part in the decision process of establishing those norms and regulations, and of devising those standards, even if they can in principle influence the agreements that can be reached in the framework of the international organizations to which they may belong, which may constrain the establishment of those standards and regulations.⁷ Still EU legislation creates standards for its neighbours, which in itself amounts to a public good. The neighbourhood policy includes an operational structure for assisting the neighbours (as the EU does with candidates) that can facilitate the adoption of EU standards and regulations. This could be of some help for trade, especially with respect to improving the opportunity for access to EU market through elimination, in particular, of the technical barriers to trade. The second possible advantage refers to the net benefit (this means net of contribution to the EU budget) of aid and financial assistance to the poorer members of the Union. This kind of assistance would be certainly provided to neighbouring countries if they were to be admitted to the EU (with the possible

investment from EU countries (in particular chapter 5, concerning company laws). One could also consider the saving in legislative time and resources needed to prepare their own legislation, even if in turn adaptation of existing legislation to the *acquis* requires legislative time and resources. This applies in particular to those transitional and developing countries that are in the process of transforming their legal system anyway. However the *acquis* reflects the needs and opportunities of prosperous advanced economies and it may be hardly compatible with the different economic and social structure of more backward poorer economies. In particular one may doubt that Mutual Recognition Agreements, facilitating mutual trade, could be possible between countries at very different levels of technological and economic development. This presents a challenge both in the perspective of membership and in that of participating to the single market and the EEA (European Economic Area). In the end, as often is the case in economic matters (and not only in those), it is just an issue of trade offs, and the balance of costs and benefits depends on the specific circumstances, but especially on the possible response of the EU.

⁵ As in the notable case of Montenegro.

⁶ The same applies with respect to human rights, democracy, protection of minorities, establishment of a functioning market economy, in short all the Copenhagen criteria.

⁷ Of course neighbouring countries can attempt to influence the decisional processes inside the EU by representing their specific interests and concerns, but this can be effected in the usual framework of diplomatic representations or of agreements concerning bilateral relations. The ENP as such does not innovate in this respect, as it would, say, if it were to bring about a multilateral forum in which neighbours could collectively influence EU's decisional processes.

exception of Israel since it is much better off than the others).⁸ The third benefit refers to the possibility of integration between neighbours' and EU markets ("a stake in the Internal Market"), as characterized by the four freedoms (free movement of goods, services, persons and capital). In turn homologation of legislation and market access could bring the additional benefit of stimulating foreign direct investment that has performed an important role in the progress of the economies of Central European new members as well as of the more backward EU economies in the past.⁹ As we shall see, on the issue of aid and of market access the promise has not been fulfilled, and possibly could never be, at least to a degree that would be equivalent, even if only in perspective, to membership. It is true that *in theory* assistance to a relatively poor neighbour could be provided in the same amount and according to similar modalities as assistance to a relatively poor member, and an analogous consideration can be made with respect to the opening up of the internal market to neighbours. But this is quite unlikely in practice because of political economy considerations and the way the internal dynamics of the EU does operate.¹⁰

2. AID AND ASSISTANCE.

Let us start with aid, and make some elementary calculations, on the basis of the recently agreed Financial Perspective for the years 2007-2013.¹¹ What do the poorer insiders (and in particular the new EU members) and the even poorer neighbours get in the framework of the

⁸ Somebody unacquainted with EU mores could be puzzled at the idea of Israel as a neighbour, since it does not have a common border with the EU. But for the purpose of neighbourhood policy countries that are separated from EU borders only by a stretch of the Mediterranean Sea are also considered as neighbours. Even countries that have a border with Turkey, a candidate member, such as those of Western Caucasus, are considered to be neighbours, but not the other countries bordering Turkey: this would stretch the notion of neighbourhood really too far.

⁹ On this point see Susanne Milcher and Ben Slay, "The Economics of the 'European Neighbourhood Policy': An Initial Assessment," paper for the conference "Europe after the Enlargement", Case Foundation, Warsaw, April 8-9, 2005; downloadable from <http://www.case.com.pl/dyn/plik--4592639.pdf>.

¹⁰ Cf. Richard Baldwin and Charles Wyplosz, *Economics of European Integration*. Maidenhead: McGraw-Hill Education, 2004, ch. 3, pp. 73 f. As to the limitations to the prospects of the EU opening up its market to its neighbours in the areas where they are most able to compete (and that often are in the sensitive areas where the EU has lost competitive advantage) see. Susanne Milcher and Ben Slay, "The Economics of the 'European Neighbourhood Policy': An Initial Assessment," *op. cit.*

¹¹ Truly speaking Prodi did not mention aid in his speech, but aid is for the poorer members an important advantage of EU membership.

next Financial Perspective? Some simple figures suffice to give the overall picture. The appropriation for the ENPI (European Neighbourhood and Partnership Instrument) for the next Financial Perspective following the recent interinstitutional agreement is envisaged as 11,967 million euros (down from the 14,929 million initially proposed)¹², only slightly more than the Pre-Accession Instrument (11,565).¹³ Here one can already immediately perceive the much lesser financial effort of the EU towards its poorer non-candidate neighbours (“the countries of the south and eastern Mediterranean, the Western NIS and the countries of the southern Caucasus”) than towards countries that are candidate (Croatia and Turkey) or potential candidate (the countries of Western Balkans),¹⁴ considering the lesser number and disproportionately lower population of the latter groups.¹⁵ But the difference becomes really impressive if one considers the shares of the budget earmarked for cohesion (308,041) and for CAP (now prudishly renamed “Preservation and Management of Natural Resources”: 371,344) that really dwarf the ENPI. Of course members, unlike neighbours, contribute to financing those programmes. Let us consider therefore the *net* EU budgetary contribution in favour of the 4 poorest EU (15) members in 2003 (the data for the year 2004 are in principle less significant, because of the accession of the new 10 members in mid year, but in reality they are not much different, indeed somewhat higher on the whole, for the 4 countries

¹² Cf. Commission of the European Communities, “Proposal for a Regulation of the European Parliament and of the Council Laying Down General Provisions Establishing a European Neighbourhood and Partnership Instrument”, Brussels, 29.9.2004 (http://europa.eu.int/eur-lex/en/com/pdf/2004/com2004_0628en01.pdf).

¹³ [MEMO/06/213](#) Date: 24/05/2006.

¹⁴ In principle the ENPI refers to following countries (the figures between brackets refer to millions of population): [Algeria](#) (32), [Belarus](#) (10), [Egypt](#) (76), [Israel](#) (6), [Jordan](#) (6), [Lebanon](#) (4), [Libya](#) (6), [Moldova](#) (4), [Morocco](#) (32), [Palestinian Authority](#) (4), [Syria](#) (18), [Tunisia](#) (10), [Ukraine](#) (48), [Armenia](#) (3), [Azerbaijan](#) (8) [Georgia](#) (5) and Russia (144). Russia however has not accepted, for prestige reasons, the ENP framework, but rather a so-called Strategic Partnership that in practice amounts more or less to the same (in the sense that it is for Russia to adapt to EU rules and regulations rather than the other way round). The candidate (2) and potential candidate (5) countries are: Croatia (4), Turkey (69); Bosnia (4), Serbia and Montenegro (11: recently separated), Albania (4), Macedonia (2).

¹⁵ Among the neighbours, however, one country is not poor (Israel), and others (Belarus, Libya or Syria) are not really actively involved with the ENP because of (possibly contingent) political reasons. They could become involved, even deeply involved, if the political obstacles are overcome.

concerned).¹⁶ In the single year 2003 only the net contributions (in terms of effective expenditure and receipts) amounted (in million Euros) to 3361.7 for Greece, 8706.5 for Spain, 3475.4 for Portugal, 1560 for Ireland (not any more among the poor, but still treated as such). Adding up we obtain 17,102, markedly more than the amount earmarked for the neighbourhood policy for the whole seven years of the Financial Perspective. If we also consider the much larger population and poorer conditions of the neighbours, presumably in greater need of assistance, in relation to that of the EU (15) poorest four, the disproportion becomes really impressive.¹⁷ Moreover the appropriation for the ENP includes funds for regional cooperation which will be spent in a still undetermined proportion inside the EU, and, of the total appropriation for the ENPI, more than half is foreseen to be actually spent in the year 2013 and later.¹⁸ Similar, if somewhat attenuated, considerations apply to the year 2005, when the net contribution of the EU budget to the net recipient countries was 17501 million Euros (of which 13433 going to the old four net recipients and 4069 to the new ten ones).¹⁹ Going into detail, and considering the extent of net transfers in per capita terms, one is left with an astonishing difference between the assistance provided to the four older members and that to the new poorer ones (see the following table).²⁰

¹⁶ Cf. European Commission, “Allocation of 2004 EU Expenditure by Member State” (http://europa.eu.int/comm/budget/agenda2000/reports_en.htm), p. 142.

¹⁷ Of course there may be the issue of the possible different degree of absorption capability, but it seems difficult that this difference may compensate the difference in the degree of financial commitments.

¹⁸ Cf. Commission of the European Communities, “Proposal for a Regulation of the European Parliament and of the Council Laying Down General Provisions Establishing a European Neighbourhood and Partnership Instrument”, Brussels, 29.9.2004, p. 36 (http://europa.eu.int/eur-lex/en/com/pdf/2004/com2004_0628en01.pdf). To make the comparison between the financial assistance to neighbourhood and present poorer member fairer, one should consider that assistance by the EU is only a part of overall development assistance neighbours receive, and one may well assume that in case a neighbour were to become a member of EU, the sources of assistance outside the EU could dry up. (For the data on Official Development Aid reported in the OECD site (http://www.oecd.org/countrylist/0,2578,en_2649_34447_25602317_1_1_1_1,00.html).

¹⁹ Cf. European Commission, “Allocation of 2005 EU expenditure by Member State”, September 2006, p. 138 (http://ec.europa.eu/budget/library/documents/revenue_expenditure/agenda_2000/allocrep_2005_en.pdf).

²⁰ One may be struck in particular by the following cases: the Czech Republic vs. Greece, countries of same population size and not too different per capita incomes, and Poland and

PER CAPITA CONTRIBUTIONS TO NET RECIPIENT COUNTRIES 2005

Country	Population ¹	PPP per capita US \$ ¹	Net per capita contribution from EU budget (Euros) ²
<i>New Europe</i>			
Slovakia	5,423,567	16,100	50
Slovenia	2,011,473	21,600	50
Poland	38,626,349	13,300	48
Czek Rep.	10,246,178	19,500	17
Cyprus	775,927	21,500	116
Latvia	2,306,306	13,200	114
Lithuania	3,607,899	13,700	132
Estonia	1,341,664	16,700	115
Malta	396,851	19,900	227
Hungary	10,032,375	16,300	59
TOTAL	74,768,589		54
<i>Old Europe</i>			
Ireland	3,969,558	41000	286
Portugal	1,052,4145	19300	225
Spain	40,280,780	25500	149
Greece	10,647,529	22200	366
TOTAL	65,422,012		205

¹From CIA, *World Factbook* 2005. ²European Commission, *Allocation of 2005 EU expenditure by Member State*. Sept. 2006, p. 138. http://ec.europa.eu/budget/library/documents/revenue_expenditure/agenda_2000/allocrep_2005_en.pdf

The obvious explanation lies in the fact that assistance to new members was decided when they were still outside the EU²¹ and their clout in the internal dynamics of EU decisions was limited. Moreover, enlargement, as one would have expected of any decision taken at unanimity, tends to happen according to a Pareto principle, by which there cannot be losers, including the previous net beneficiaries from EU contributions, contrary to what equity and good common sense may suggest. In the logic of Prodi's argument ("the quality of our relations with them will largely depend on their performance and the political will on either side") one could not justify the different treatment, since the neighbours were so close to the EU that they could be admitted into the Club. On the other hand, one may expect that the contribution in favour of the new members will increase in time, both because of their coming

Spain, countries of comparable size, but with very unequal treatment as far as financial assistance is concerned.

²¹ At the December 2002 Copenhagen European Council (cf. Susan Senior Nello, *The European Union: Economics, Policy, History*. Maidenhead: McGraw-Hill, 2005, p. 20).

of age as insiders into the power dynamics of the EU, and because of the gradual adaptation during the next financial perspective of the agricultural handouts.²²

On the basis of the above figures one may appreciate the much lower degree of consideration for the interests of neighbours than for the interests of members and, to a lesser extent, prospective members. Thus it is obvious that on this account alone the neighbourhood policy (as well as the economic assistance to potential candidates) cannot really reduce the drive of neighbouring European countries towards possible accession.

3. MARKET ACCESS.

What about the main aspect of Prodi's promise: the stake in the EU internal market? Part of the difficulties may lie in the adaptation of the neighbours to internal market requirements. This may be rendered relatively more difficult since EU financial aid for assistance in law-making and administrative reform to the willing neighbours would be lower, owing to the overall amounts involved, than for the candidate and potential candidate countries. However the neighbours really keen to completely adapt their own legislation to the EU's may not be so many. But the main issue here is that one would hardly expect the EU to completely open up its market in the more sensitive areas, where most of its neighbours could better compete, in particular agriculture,²³ over and above what would be required in an eventual (however unlikely by now) conclusion of the Doha WTO round.²⁴ Only in case of entry into the EU would the access to the internal market be necessarily complete. The arrangement for market access that Prodi had in mind when launching the ENP, and to which he explicitly referred to, was the European Economic Area (EEA). The latter however does not imply complete integration in the EU market, insofar the EEA is a Free Trade Area and not a Customs Union (implying the need to constantly refer in trade to rules of origin, even if "the rules concerning

²² Cf. Senior Nello, *op. cit.*, p. 123.

²³ See on this point Heather Grabbe, "How the EU Should Help Its Neighbours." Centre for European Reform Policy Brief, June 2004 (www.cpr.co.uk).

²⁴ Indeed present Partnership and Cooperation agreements that regulate the economic relations of the EU with its Eastern neighbours "are little but codification of WTO principles for non-WTO members." (A. Aaslund, and A. Warner, 'The EU Enlargement: Consequences for the CIS Countries' in: Dabrowski, M., Slay, B. and Neneman, J. (2004). *Beyond Transition: Development Perspectives and Dilemmas*. Ashgate, quoted in Susanne Milcher and Ben Slay, "The Economics of the 'European Neighbourhood Policy': An Initial Assessment." Conference paper to the conference on Europe After the Enlargement, Warsaw, 8-9 April 2005, p.9.)

processing of products and documentation of the origin of products are simplified” and, considering customs cooperation and simplified formalities “manufacturers in EFTA countries operate under approximately the same conditions as manufacturers in the EU”).²⁵ Moreover, even if the EEA implies a deep integration with EU in a number of areas (among others services and public procurements, and free movement of capital and labour)²⁶ the free trade area is not all comprehensive. In particular, agriculture and fisheries are in principle excluded. A relevant consideration, relating to issue of the previous section, is that the three EFTA EEA countries are net contributors to the EU budget, while neighbours are in general net recipients of aid, and they would much more so in case of equal treatment with EU poorer members (“everything but institutions”). Turkey has a customs union with the EU, but here too the customs union is highly incomplete, since, in particular, it does not include agricultural products, where Turkey should have a comparative advantage, nor services, and the EU can block alleged destabilizing imports through antidumping clauses.²⁷ The advantage of a free trade area is that, unlike a customs union, it allows members to enter independently into other similar arrangements. This is of particular importance, for instance, in the case of the Ukraine whose possible entering in a free trade area with the EU does not exclude the possibility of a similar arrangement with Russia, but the rules of origin implied by a free trade area can be pretty onerous.²⁸

²⁵ Cf. Royal Norwegian Ministry of Foreign Affairs, “Norway, The European Economic Area (EEA) and the EU's Internal Market”. October 1995 (<http://odin.dep.no/odin/engelsk/norway/eu/032001-990083/index-dok000-b-n-a.html>). For the discipline concerning rules of origin and cumulation in the EEA, see Protocol 4, on Rules of Origin, in the EEA agreement: http://secretariat.efta.int/Web/EuropeanEconomicArea/EEAAgreement/protocols/changed_protocols/protocol4.pdf

²⁶ Integration extends to the areas of enhanced cooperation, such as, for Norway, Schengen cooperation and the Dublin convention (relating respectively to the treatment of refugees and asylum seekers).

²⁷ For a detailed analysis of the customs union agreement between the EU and Turkey, see Halûk Kabaalioglu, ["Completion of the Customs Union and the Accession of Turkey to the European Union"](#), Third Ecsa-World Conference: The European Union In A Changing World. Bruxelles 19 - 20 Septembre 1996.

<http://www.ecsanet.org/conferences/ecsaeworld3/kabaalioglu.htm>.

²⁸ See Olga Shumylo, “Ukraine and the European Neighbourhood Policy. Ensuring the Free Movement of Goods and Services.” CEPS Working Document No. 240/March 2006, p. 10. By late Russia seems to have become rather impatient with Ukraine’s attempts not to compromise its possibilities of integration with the EU, pushing instead Ukraine, though the leverage of its

A general difficulty in a EEA type of arrangement is the need to adapt almost automatically to the changing EU legislation relating to the single market. In case of membership, EU legislation would automatically apply (aside from the internal legislative adaptations that are anyway due). In case of EFTA countries that are EEA members, adaptation is practically immediate, but the procedure is somewhat cumbersome and does not seem likely that it could be easily repeated with other neighbours. From the point of view of national politics the need of almost automatically adapting to a legislation with no share in its production, and with no prospect of entering the Union and of sharing eventually decision powers (such as it would be the case with the non-European defined countries) could be seen as hardly acceptable. Finally, of the four liberties, the one concerning the movement of people would be particularly problematic. In the recent enlargement it has been limited, but only temporarily; even such an arrangement would be hardly conceivable with respect to the poorer, and demographically much more important, neighbours, while an arrangement allowing free movement would be hardly possible because its destabilizing effect on the EU, owing to the massive movements of population it would entail, and would anyway be politically unfeasible. In the end, what seems a more reasonable approach with neighbours is, rather than the EEA model, a more symmetric one, based on a free trade area.²⁹ As we have already seen in the case of the Ukraine, an additional advantage besides symmetry is pluralism: the possibility for neighbours of entering in additional free trade areas besides the EU. In the end the access to the internal market depends on the meeting of two wills: the will of the EU of going against organized internal sectoral interests opposing free trade, and the will of the neighbours to adapt. Both are probably hard to come by, unless the prospect of membership is in sight.

4. THE EUROPEAN NEIGHBOURHOOD POLICY AS SOFT IMPERIALISM

What is particularly striking of the ENP is its asymmetric aspect. It is for the neighbours to adapt to the values and relevant legal production of the EU, not vice-versa. This is basically

energy dependency, towards the construction of a Single Economic Space (with Russia Belarus and Kazakhstan), and, in the meantime, towards a customs union, which would be incompatible with a free trade area arrangement with the EU (see Jamestown Foundation, *Eurasia Daily Monitor* -- Volume 3, Issue 160, Thursday, August 17, 2006).

²⁹ Possibly with the extension to Neighbourhood countries of the Pan European Cumulation System.

the reason why a proud nation, of imperial past, such as Russia,³⁰ has not agreed to this approach, even if in practice in the economic relations with the EU it is for Russia to adapt to EU standards and regulations, rather than the other way round: here economic size and interests matter.³¹ Even candidate countries must adapt, but the framework is completely different: adaptation is the price to be admitted to the Club, where all members in principle have equal dignity and partake of decisional power, according to statutory rules. With neighbourhood policy no co-decisional powers are envisaged.³² As to the EEA model, on which the ENP was modelled, admission to the EU was available, but was declined.

In a sense the ENP approach can be seen as part of the drive of the West towards the Rest to export as superior its own institutional and cultural model, democracy, human rights, the rule of law, the market, and which is reflected, among others, in the post-war international institutions (starting with the United Nations). This kind of soft imperialism may be seen as partly dictated, aside from the conviction of having the “right model” to spread in the interest of everybody concerned, by the selfish interest to survive and continue to prosper: eventually, economically and militarily, and not only demographically, the Rest (in particular the East) will be ahead of the West. Only the absorption by the Rest of the values and institutions of the West can allow for the West a destiny of quietly merging with a kind of multiplication of

³⁰ And, one must add, with geopolitical ambitions out of tune with its economic size and institutional strength: even if in the present moment of high energy prices Russia tends to translate its market power as an energy supplier into political power, the overall PPP size of the Russian economy is estimated at about the same as Italy's, and a sixth of China (cf. www.cia.gov/cia/publications/factbook/rankorder/2001rank.html).

³¹ However “Russia is unhappy about the EU demanding that Russia adopt its norms and rules, even though Russia does not intend to join the EU, no one is waiting for it there and its problems cannot be solved within this structure” (Nina Kulikova, “Is Russia-EU strategic partnership possible?” *RIA Novost*, 15-11-2004, <http://kaliningradexpert.org/index.php?doc=800&lng=eng>). Instead of the Neighbourhood Policy there is the notion of a Common European Economic Space, which is a rather hazy and undetermined concept. For a concise but sharp discussion see Christer Pursiainen, “The Ambiguity of the Common European Economic Space: a Strength or a Weakness?”, Russian-European Centre for Economic Policy, 26/7/04 http://www.recep.ru/files/documents/04_07_26_Economic_Space_En.pdf (accessed 13/2/05). See also, of the same author “Theories of Integration and the Limits of EU-RF Relations”, Russian-European Centre for Economic Policy, 25/10/2004, <http://www.recep.ru/en/documents.php>.

³² However, unilateral approximation is already required in the framework of Association Agreements for countries that have no perspective to join the EU. See for instance art. 40 and 52 of the 1998 EU-Tunisia Association Agreement.

itself. To some such a kind of soft imperialism with a jusnaturalistic bend may sometimes appear as abstract and antihistorical, insofar as it does not take into consideration actual situations, historical background, particularities and possibilities, and does not respect alternative views and systems of organization. In particular, western liberalism is basically not tolerant of intolerance.

In practice, in the actual behaviour of EU relations with its neighbours the theoretical principles are forcibly bent and adapted to concrete situations, as much so as to lead to a lack of coherence between practice and theory. As an example let us consider two parallel cases of the economic relations of the EU towards two neighbours that have some interesting aspects in common, Tunisia and Belarus. Both countries, of analogous size, are ruled by autocratic presidents. President Zine El Abidine Ben Ali appears no less autocratic than President Lukashenko of Belarus, and possibly more, if as a rough index of autocracy we take the percentage of votes attributed in presidential elections (Ben Ali 94.48% in October 2004; Lukashenko 85% in 2001).³³ Both presidents enjoyed constitutional referenda allowing them to continue their office after reaching the maximum number of mandates allowed by the Constitution (Ben Ali in 2002, Lukashenko in 2004). The reaction of the EU has been quite different: the freezing since 1996 of the Partnership and Cooperation Agreement with Belarus may be contrasted with Tunisia's continuous enjoyment of an Association Agreement. The different reaction of the EU could be explained by the fact that what may seem normal for an African country, albeit relatively better educated (literacy rate 74.2%), such as Tunisia, may seem less natural in a well educated (literacy rate 99.6%) European country such as Belarus.³⁴ Moreover there is the issue of the outside option. As far as Belarus is concerned, one could hardly expect any other alternative set-up but some kind of liberal democracy. For Arab countries such as Tunisia, the dreaded alternative could be an Islamic regime. On the other hand Belarus regime too seems to be conservative rather than expansionistic³⁵ (such as instead

³³ Data taken from Wikipedia, www.wikipedia.org; BBC country profiles (http://news.bbc.co.uk/1/hi/world/europe/country_profiles).

³⁴ For some more articulated data on the levels of educational attainment, see the ILO database (*Key Indicators of The Labour Market*, 3-third ed., 2003, in particular table A2).

³⁵ Authoritarian regimes that are conservative rather than expansionistic (say, Egypt, Tunisia or even Belarus) do not pose as such a threat to peaceful coexistence, while authoritarian regimes that are expansionistic (such as Saddam Hussein's Iraq or present day Iran) do, as do regimes that because of their repressive behaviour or ineffective governance push their citizens into mass emigration. One may add however that there have also been plenty of

one may perceive the present trend of Putin's Russia to be), and as such does not seem to put the interests of the EU at risk. Albeit authoritarian and repressive, Belarus is still a neighbour with whom the EU shares a border and relevant security interests. To aid and help it (such as the EU has done with the Tunisian regime) would be excessive, but to deal with it without specific and emphasized sanctions could be more appropriate,³⁶ and perhaps even more conducive to a change of regime if it were to bring about a softening of its propensities for retrenchment.³⁷

5. SOME INSTITUTIONAL ISSUES

In order to overcome the difficulties of getting more neighbours as members into the EU a more limited form of membership has been proposed.³⁸ One could also envisage a kind of enhanced neighbourhood *à la carte*. For instance, Turkey, whose prospective full membership raises so many perplexities for political and demographic reasons, could be admitted to take part, of the three pillars, only in the single market and, with full decisional status, in relation to economic issues only. Of the four freedoms the one relating to free movement of people could be denied, and not only, as in the case of the recent enlargement, as a temporary measure. A progressively more extended membership could follow Turkey's progress, if any, in the relevant areas. But this may be seen as politically unpalatable. As a more far-reaching and plausible solution an alternative membership with more limited powers should be envisaged for *all* the members, as the extent of the present rights of any individual member could be incompatible not only with further enlargement, but with the progress, and indeed with the continuous smooth functioning of the European Union.³⁹ This applies in particular to voting

examples of expansionistic democracies, putting the stability and integrity neighbours, and even of distant nations, at risk. Democracy, unfortunately, is no absolute guarantee of peaceful restraint.

³⁶ As an example of collaboration between Belarus and its western neighbours one may refer to the Söderköping process. The objective of the latter is "To address the cross-border co-operation issues arising with the EU enlargement eastwards and to promote dialogue on asylum and irregular migration issues among the countries situated along the EU eastern border." Cf. <http://soderkoping.org.ua/>.

³⁷ As a blatant case of a authoritarian long surviving regime, notwithstanding harsh political and economic sanctions by the US, including a trade embargo, leading to retrenchment rather than collapse, one may recall Castro's Cuba.

³⁸ Cf. "Meet the Neighbours." *Economist*, June 23rd 2005.

³⁹ As an instance of the obnoxious enactment of unanimity requirements and implied veto powers, one may mention in the past enlargement the stubborn requirement of Greece of

and blocking rights, and to the practical right of not being sanctioned for non-compliance to membership obligations (even the theoretical sanctions for violating the Maastricht conditions have been practically ineffective, as the experience has proved; at any rate the sanctioning system is weakened by the condition that the required fines must be paid by the offending parties, and it is unclear what would happen in case of non-compliance).⁴⁰ As to the suspension of a EU member, the condition of unanimity at some point in the procedure (maintained in the failed Constitutional Treaty) seems to render any such comprehensive sanction highly improbable.⁴¹ A more subtle and flexible system of sanctions is needed, such as for instance an almost automatic exclusion from the relevant European decisional bodies in case of important violation of some aspects of the Treaty. For instance, the countries violating the Maastricht conditions, so long as the violation lasts, could be excluded from the meeting of the Council of Economics and Finance Ministers, and from the decision processes relating to economic matters, or their voting powers could be taken away or reduced, unless, say, a qualified majority of the European Council decides to the contrary. Countries not abiding by community regulations concerning, say, agricultural matters, such as in the case of Italy's handling of the milk quotas, could be excluded from the meetings of the agricultural ministers and from decisions concerning agriculture. Some reduction or suspension of payments from the EU budget could be also envisaged. Analogous measures could be applied in regard to other important violations in other areas. Whenever possible the violation should be declared by a non-political body such as the European Court of Justice, or, perhaps, by a qualified majority of the European Parliament. Moreover the stage prescribed by art. 7(2) in the suspension procedure should require a qualified majority rather than unanimity. If the sanctioning and excluding system is more effective, new members can be admitted more wholeheartedly, with less danger that a change in their internal setup may eventually rock the

admission to the EU of the divided (and geographically Asian) island of Cyprus, In order not to rock the whole enlargement procedure Cyprus was admitted, hoping that in process of admission it would re-unite, but avoiding making of re-unification a requirement for admission. The result has been the internalization into the EU of the unsolved issue of the status of Cyprus, complicating the already complicated relations with Turkey, without the admission into the EU being able to contribute to its solution. In a sense Cyprus admission functions as a kind poison pill in EU-Turkey negotiations.

⁴⁰ See art. 104 of the *Treaty Establishing the European Community*.

⁴¹ Cf. art. 7 of The Treaty on European Union, concerning suspension of "certain of the rights deriving from the application of this Treaty to the Member State in question, including the voting rights of the representative of the government of that Member State in the Council."

Union through stubborn and reckless use of veto powers. Moreover, as the power of any single member would be accordingly reduced, membership itself could become something less of an issue. But will ever the egotism of the old nation states be able to suffer such a sizable reduction in their cherished prerogatives? ⁴²

In the meantime, in the enlightened interest of the EU itself, neighbours (and in particular Turkey that already has an incomplete customs union with the EU, as well as long-standing and frustrated membership aspirations) should be granted the maximum access to the EU market, up to possible complete integration. The latter implies in turn a willingness by neighbours to open up completely their markets and to adapt their relevant legislation to that of the EU, as well as by the EU to renounce the defence of their non-competitive sectors, first of all agriculture. While the first conditions may be willingly accepted by some neighbours, it may seem difficult that the internal dynamics of the EU, and the power of concentrated interests, could allow to bring about the second, notwithstanding Prodi's promise, and the fact that increased trade and phasing out the protection and subsidisation, in particular, of EU agriculture, would be in the best overall interest of EU members themselves. But EU's effective developments may eventually dispel the seemingly most realistic pessimism, and prove it as unrealistic, as has been the case many times in the past. Let us therefore end with a glimmer of hope.

⁴² Even if the project of the new European Constitution has been, at least momentarily shelved, obviously the reform process of EU institutions will not stop here, owing to the need of reform induced, in particular, by the enlarged membership. It may be maintained that even if the European Constitution were ratified, the reforms in the decisional process would have been insufficient for guaranteeing a satisfactory functioning of the EU with the new membership, and moreover that the sanctions foreseen for lack of compliancy to the rules by member states would have continued to be utterly inadequate. (For a theoretical analysis of the much greater difficulty of reaching decisions with the new membership, and of the issue of the voting rules, see Richard Baldwin, Charles Wyplosz, *op. cit.*, pp. 84-86.) One may also add that decision making could be rendered more difficult by the greater heterogeneity of the Union after the enlargement, as synthesized by the much greater disparity in per capita incomes than under previous enlargements, with possible greatly heterogeneity of preferences between the member states. But the issue of deepening vs. widening, where the latter is considered to be better compatible with maintaining the sovereign powers of the component nation states, is an old, even if perhaps somewhat misleading one, since the wider the membership the greater the supranational powers required to keep the Union together and to ensure the fulfilment of its functions, however limited they be, and the lesser the power of any single state to influence EU decisions.